

Internal Revenue Service

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Department of the Treasury
Washington, DC 20224

Third Party Communication: None
Date of Communication: Not Applicable

Person To Contact:
, ID No.

Telephone Number:

Refer Reply To:
CC:INTL:B02
PLR-116725-15

Date:
July 31, 2015

TY:

Legend

Shareholder =

FC =
Accounting =
Firm
Country 1 =
Country 2 =
State =
Year 1 =
Year 2 =
Year 6 =
Year 8 =

Dear :

This is in response to a letter dated May 6, 2015, submitted by Shareholder's authorized representative that requested the consent of the Commissioner of the Internal Revenue Service ("Commissioner") for Shareholder to make a retroactive qualified electing fund ("QEF") election under section 1295(b) of the Internal Revenue Code and Treas. Reg. §1.1295-3(f) with respect to Shareholder's investment in FC.

The ruling contained in this letter is based upon information and representations submitted on behalf of Shareholder by its authorized representative, and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the material submitted in support of this request for ruling, such

material is subject to verification on examination. The information submitted in the request is substantially as set forth below.

FACTS

Shareholder is limited liability partnership organized in State. FC is an entity organized under the laws of Country 1 that is treated as a corporation for U.S. federal income tax purposes. FC qualified as a passive foreign investment company ("PFIC") as defined in section 1297(a) in Year 1.

During Year 1 and Year 2, Shareholder acquired shares of FC indirectly through its interests in two partnerships formed under the laws of Country 2.

Shareholder retained Accounting Firm to prepare its Year 1 through Year 6 tax returns. Accounting Firm employs experienced tax professionals and advised Shareholder with respect to the U.S. federal income tax matters regarding Shareholder's operations and investments, including Shareholder's investment in FC. Accounting Firm is competent to render tax advice to U.S. shareholders of foreign corporations. Shareholder provided Accounting Firm all relevant facts and circumstances to prepare its U.S. federal income tax returns. Shareholder relied on Accounting Firm to provide advice with respect to filing and reporting requirements in general, as well as any elections or statements that would be necessary to elect a specific tax treatment.

Shareholder did not know or have reason to know that FC was a PFIC or that it, as an indirect owner of shares of FC, was eligible to make an election to treat FC as a QEF. Accounting Firm did not advise Shareholder that FC was a PFIC or of the availability of electing to treat FC as a PFIC.

In Year 8, Shareholder learned that there would be an initial public offering of FC. Shareholder analyzed FC for U.S. federal income tax purposes as part of the tax due diligence for the sale of a foreign security. As part of that review, Shareholder determined that FC was a PFIC. Based on that determination, Shareholder requested Accounting Firm to prepare a request to make a retroactive QEF election.

Shareholder has submitted an affidavit, signed under penalties of perjury, that describes the events that led to its failure to make a QEF election with respect to FC by the election due date, including the role of Accounting Firm. Shareholder also submitted an affidavit from Accounting Firm, signed under penalties of perjury, setting forth Accounting Firm's engagement and responsibilities as well as the advice concerning the tax treatment of FC that Accounting Firm provided to Shareholder.

Shareholder represents that, as of the date of this request for ruling, the PFIC status of FC has not been raised by the Internal Revenue Service ("IRS") on audit for any of the taxable years at issue.

RULING REQUESTED

Shareholder requests the consent of the Commissioner to make a retroactive QEF election with respect to FC for Year 1 under Treas. Reg. §1.1295-3(f).

LAW

Section 1295(a) provides that a PFIC will be treated as a QEF with respect to a shareholder if (1) an election by the shareholder under section 1295(b) applies to the PFIC for the taxable year; and (2) the PFIC complies with the requirements prescribed by the Secretary for purposes of determining the ordinary earnings and net capital gains of the company.

Under section 1295(b)(2), a QEF election may be made for a taxable year at any time on or before the due date (determined with regard to extensions) for filing the return for the taxable year. To the extent provided in regulations, the election may be made after the due date if the shareholder failed to make an election by the due date because the shareholder reasonably believed the company was not a PFIC.

Under Treas. Reg. §1.1295-3(f), a shareholder may request the consent of the Commissioner to make a retroactive QEF election for a taxable year if:

1. the shareholder reasonably relied on a qualified tax professional, within the meaning of Treas. Reg. §1.1295-3(f)(2);
2. granting consent will not prejudice the interests of the United States government, as provided in Treas. Reg. §1.1295-3(f)(3);
3. the request is made before a representative of the IRS raises upon audit the PFIC status of the company for any taxable year of the shareholder; and
4. the shareholder satisfies the procedural requirements of Treas. Reg. §1.1295-3(f)(4).

The procedural requirements include filing a request for consent to make a retroactive election with, and submitting a user fee to, the Office of the Associate Chief Counsel (International). Treas. Reg. §1.1295-3(f)(4)(i). Additionally, affidavits signed under penalties of perjury must be submitted that describe:

1. the events that led to the failure to make a QEF election by the election due date;
2. the discovery of the failure;
3. the engagement and responsibilities of the qualified tax professional; and
4. the extent to which the shareholder relied on the professional.

Treas. Reg. §§1.1295-3(f)(4)(ii) and (iii).

CONCLUSION

Based on the information submitted and representations made with Shareholder's ruling request, we conclude that Shareholder has satisfied Treas. Reg. §1.1295-3(f). Accordingly, consent is granted to Shareholder to make a retroactive QEF election with respect to FC for Year 1, provided that Shareholder complies with the rules under Treas. Reg. §1.1295-3(g) regarding the time and manner for making the retroactive QEF election.

Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter.

This private letter ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) provides that it may not be used or cited as precedent.

In accordance with the Power of Attorney on file with this office, a copy of this letter ruling is being sent to your authorized representatives.

A copy of this letter ruling must be attached to any federal income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of the letter ruling.

Sincerely,

Barbara E. Rasch
Senior Technical Reviewer, Branch 2
(International)

cc: